

Message Text

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C O N F I D E N T I A L BERLIN 6342

LIMDIS

E.O.11652: GDS

TAGS: EAGR, EPAP, GE, PFOR

SUBJECT: GDR INTEREST IN US GRAIN PURCHASES

REF: BERLIN 6297; BERLIN 6312

1. I MET WITH FOREIGN TRADE STATE SECRETARY BEIL AT HIS REQUEST ON JULY 26, AWARE THAT HE WISHED TO DISCUSS GDR INTEREST IN GRAIN PURCHASES FROM THE US(REFTELS). THE DCM ACCOMPANIED ME.

2. BEIL REFERRED TO PREVIOUS CONVERSATIONS IN WASHINGTON BETWEEN REPRESENTATIVES OF THE MINISTRY OF FOREIGN TRADE AND DEPARTMENT OF AGRICULTURE ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS , RICHARD BELL, IN APRIL AND JUNE. HE SAID THE GDR WAS INTERESTED IN CONCLUDING A FOUR OR FIVE YEAR GRAIN AGREEMENT WITH THE US(I.E. 1976-1980) REALIZING THAT A GOVERNMENT-TO-GOVERNMENT AGREEMENT, SUCH AS THE US HAS WITH THE SOVIET UNION, WOULD NOT BE POSSIBLE. THE GDR HOPED INSTEAD THAT AN AGREEMENT BETWEEN MINISTRIES COULD BE REACHED ALONG LINES OF " THE POLISH MODEL". HE SAID THE GDR WOULD BE PREPARED TO ENTER INTO DISCUSSION WITH US OFFICIALS IN SEPTEMBER, WITH A COMMITMENT TO PURCHASE A MINIMUM OF 5 TO 6 MILLION TONS OF GRAIN BY 1980, ROUGHLY ONE-HALF WHEAT AND ONE-HALF CORN, AND SAID HIS GOVERNMENT'S
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INTEREST IN OBTAINING AN AGREEMENT WAS BASED UPON

ESTIMATES OF ITS NEEDS UNTIL 1980.

3. BEIL SAID THAT GDR GRAIN NEEDS FOR 1976, WHICH HAVE BEEN NEGOTIATED WITH PRIVATE US EXPORTERS, WILL BE SLIGHTLY LARGER THAN THOSE OF THE PREVIOUS YEAR, PROBABLY IN THE VICINITY OF 2 OR EVEN 2 1/2 MILLION TONS AS COMPARED TO THE 1 TO 1 1/2 MILLION TONS THAT ARE NORMALLY PURCHASE ANNUALLY. FINAL ESTIMATES OF 1976 REQUIREMENTS WILL DEPEND ON WEATHER CONDITIONS OVER THE NEXT TWO MONTHS. IN ADDITION TO WHEAT AND CORN DEFICITS BEIL SAID THE GDR MIGHT HAVE A SHORT POTATO CROP THIS YEAR, IF THE DROUGHT CONTINUES. IN REPLY TO MY QUESTION, BEIL SAID THAT GRAIN REQUIREMENTS COULD NOT BE MET FROM SUCH OUTSIDE SOURCES AS THE SOVIET UNION, WHICH WAS ALSO HAVING A DIFFICULT YEAR.

4. HE ESTIMATED THAT IN 1977 AND 1978 THE GDR WOULD SEEK TO PURCHASE 1 1/2 MILLION TONS ANNUALLY FROM THE US. FROM 1978 ONWARDS THIS FIGURE WOULD PROBABLY BE REDUCED TO BETWEEN 1 MILLION AND 1 1/2 MILLION TONS.

5. I REVIEWED CURRENT USG CROP ESTIMATES, POINTING OUT THAT FIRM US ESTIMATES COULD NOT BE REACHED UNTIL SEPTEMBER. BASED UPON FIGURES AVAILABLE AS OF THE 15TH OF JUNE, IT APPEARS THAT THE TOTAL US WHEAT CROP OF ALL TYPES WILL BE AS LARGE AS IT WAS LAST YEAR AND THAT CORN PRODUCTION MIGHT BE AS MUCH AS 8 PERCENT LARGER THAN LAST YEAR'S CROP. I NOTED THAT THE PRESIDENT LAST YEAR HAD NOT APPROVED GRAIN EXPORTS TO THE SOVIET UNION UNTIL FIRM CROP ESTIMATES BECAME AVAILABLE. I POINTED OUT THAT I WAS WITHOUT INSTRUCTIONS, AND COULD ONLY LISTEN TO THE PROPOSALS THAT BEIL HAD TO MAKE.

6. BEIL RESPONDED THAT HIS TALK WITH ME WAS INTENDED TO AMPLIFY THE REMARKS OF CHAIRMAN OF THE COUNCIL OF MINISTERS SINDERMANN TO ME ON JULY 22 IN WHICH GDR INTEREST IN MEDIUM-TERM GRAIN PURCHASES FROM THE US WAS SET FORTH. THE PROBLEM OF ARRIVING AT AN AGREEMENT WAS NOT OF IMMEDIATE URGENCY FOR THE GDR, BEIL SAID. HE PROPOSED THAT WE TALK AGAIN AT THE END OF AUGUST, CONFIDENTIAL

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WHEN US CROP ESTIMATES WILL BE BETTER KNOWN, WITH A VIEW TO BEIL'S PROPOSING AN AGREEMENT OF FOUR OR FIVE YEARS DURATION GUARANTEEING GDR PURCHASES OF " AT LEAST" 5 TO 6 MILLION TONS OF GRAIN FROM THE US OVER THE PERIOD OF THE AGREEMENT. WHEN I INQUIRED AS TO PAYMENT, BEIL EMPHASIZED THAT THE CONDITIONS OF PURCHASE WOULD BE THOSE THAT NORMALLY PREVAIL ON THE INTERNATIONAL MARKET. HE AS HE WOULD BE WILLING TO TRAVEL TO

WASHINGTON TO MEET WITH ASSISTANT SECRETARY BELL, OR TO INVITE THE LATTER TO BERLIN. IN ANY CASE THIS WAS A QUESTION OF PROCEDURE RATHER THAN SUBSTANCE.

7. COMMENT: AT ONE POINT BEIL SEEMED TO SUGGEST THAT MY TALK WITH SINDERMANN WAS A US APPROACH, AS I HAD MENTIONED TO HIM (BEIL) AT THE LEIPZIG TRADE FAIR, IN THE CEREMONIAL EXCHANGE AT THE US EXHIBIT, THAT THE PRESIDENT WAS SYMPATHETIC TO THE SALE OF SOME AGRICULTURAL PRODUCTS TO THE GDR. I RESPONDED IMMEDIATELY THAT I HAD MADE NO APPROACH TO SINDERMANN, HAD NOT MENTIONED AGRICULTURE TO HIM, AND THAT IT WAS SINDERMANN WHO HAD RAISED THE ISSUE AND SUGGESTED THAT BEIL MIGHT SEE ME. I HAD REPEATED TO SINDEMANN THE PRESIDENT'S COMMENTS TO ME.

8. IT WAS APPARENT THAT BEIL'S PRIMARY CONCERN WAS TO EXPLORE THE POSSIBILITY OF A MINISTRY-LEVEL MEDIUM-TERM GRAIN PURCHASE AGREEMENT WITH THE US ALONG LINES OF THE POLISH AGREEMENT, WITH A VIEW TO BRINGING AN ELEMENT OF STABILITY TO THE SITUATION OF CHRONIC GDR SHORTFALLS IN GRAIN PRODUCTION, HE SAID SEVERAL TIMES THAT THE GDR WAS PREPARED TO SIGN SUCH AN AGREEMENT THIS YEAR. I DO NOT RULE OUT AN EFFORT TO MAKE A DEAL WITH PRIVATE SUPPLIERS.

9. I WOULD APPRECIATE THE DEPARTMENT'S COMMENTS ON THESE DEVELOPMENTS. THE NEXT STEP IN THIS EXCHANGE IS BEIL'S PROPOSAL THAT WE DISCUSS THE MATTER AGAIN AT THE END OF AUGUST.
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